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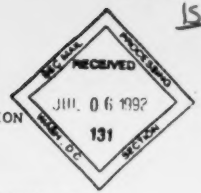

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the period ended March 31, 1992
Commission file number 2-67860

Q42-22603

VAC-TEC SYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

Colorado	84-0703717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6101 Lookout Road Boulder, Colorado	80301
(Address of principal executive offices)	(Zip Code)

(303) 530-2700
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such short period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes____ No X

The number of shares outstanding of the issuer's common stock, $.01 par value, as of the close of business of March 31, 1992 is 74,604,533.

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VAC-TEC SYSTEMS, INC.

FORM 10-Q

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VAC-TEC SYSTEMS, INC.

PREFACE:

The level of sales and revenues achieved by Vac-Tec Systems, Inc. deteriorated significantly in the year ended December 31, 1992 and has continued to do so through the first quarter of 1992. In October of 1991, Amdura Corporation, the Company's majority share holder and lender restructured its interests in the Company and transferred those interests including a note payable secured by all of the assets of the company to their unsecured creditors, the Amdura Liquidating Trust No. 1 (Trust).

As a result of the Company's inability to produce significant revenues or profitable operations, it has been unable to address its creditors, vendors, and lessors. It has been on a C.O.D basis for all material ordered to complete work, and has peaceably surrendered leased property including, in March, the main computer system which contained, among other items, the Ledgers of the Company.

On May 12, 1992 the Company reported that the Trust had notified Vac-Tec that it was in default under the terms of the Security Agreement the Trust holds and that the Trust sought surrender of the collateral. In the same report Vac-Tec announced an orderly cessation of operations. On June 22, 1992, the Trust and Vac-Tec completed a Collateral Surrender Agreement effective June 2, 1992, and the Trust has begun liquidation of the collateral. Should an amount in excess of the Note Payable result from the liquidation, the excess shall be returned to Vac-Tec.

VAC-TEC SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991 (Unaudited) *
Current Assets:		
Cash	$ 13,795	$ 31,180
Receivables, net of allowance for doubtful accounts of $57,191 and $57,434, respectively	27,270	114,722
Inventories	1,519,420	1,820,126
Prepaid expenses and other assets	43,761	42,497
Total Current Assets	$ 1,604,246	$ 2,008,525
Other Investments	$ 7,980	$ 7,980
Equipment, net of accumulated depreciation and amortization of $2,068,260 and $2,019,421, respectively	854,171	917,861
Patents, net of accumulated amortization of $445,892 and $437,966, respectively	245,667	253,593
	$ 2,712,064	$ 3,187,959
LIABILITIES AND SHAREHOLDERS' EQUITY (Deficiency in Assets)		
Current Liabilities:		
Notes Payable	$ 35,620	$ 12,500
Accounts Payable	595,102	393,645
Accrued Expenses and Other Current Liabilities	306,045	578,553
Total Current Liabilities	$ 936,767	$ 984,698
Long-Term Debt	$ 2,010,173	$ 2,009,920
Shareholders' Equity (Deficiency in Assets)		
Common stock, $.01 par value; authorized 75,000,000 shares; issued and outstanding 74,604,533 and 74,602,833, respectively.	746,045	746,028
Additional paid - in capital	16,628,355	16,628,372
Deficit	(17,609,276)	(17,181,059)
	(234,876)	(193,341)
	$ 2,712,064	$ 3,187,959

* The Condensed Consolidated Balance Sheet at December 31, 1991 has been taken from the Financial Statements at that date. Those statements were unaudited. See Notes to Financial Statements.

VAC-TEC SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 1992	March 31, 1991
REVENUES - Net Sales	$ 113,849	$ 290,221
COSTS AND EXPENSES		
Cost of sales	319,841	438,599
Selling, general and administrative	220,068	426,859
Research and product development	1,240	131,553
Net Interest expense (Income)	917	(19,418)
	$ 542,066	$ 977,593
NET INCOME (LOSS)	$ (428,217)	$ (687,372)
NET INCOME (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	$ (428,217)	$ (769,722)
NET INCOME (LOSS) PER COMMON SHARE:		
Primary-Net Income (Loss)	$ (.01)	$ (.03)
Fully Diluted-Net Income (*Loss)	$ *	$ *
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Primary	74,604,533	25,468,924
Fully Diluted	74,604,533	25,468,924

* Anti-Dilutive

See Notes to Financial Statements.

VAC-TEC SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 1992	March 31, 1991
Operating Activities		
Net Income (Loss)	$ (428,217)	$ (687,372)
Adjustments to reconcile net income to cash provided (used) by operating activities		
Depreciation and Amortization	56,765	80,437
Provision for losses on Receivables and inventory	(243)	36,951
(Increase) Decrease in Receivables	87,695	931,597
(Increase) Decrease in Inventories	300,706	(251,215)
(Increase) Decrease in Prepaid Expenses and other assets	(1,264)	52,071
(Increase) Decrease in Patents	-0-	(1,803)
Increase (Decrease) in Accounts Payable	201,457	(221,825)
Increase (Decrease) in Accrued Expenses and Other Current Liabilities	(272,508)	(58,294)
Net Cash Provided (Used) by Operating Activities	(55,609)	(119,453)
Investing Activities		
Disposition of Equipment	14,851	(25,514)
Other Investments	-0-	-0-
Net Cash Provided (Used) by Investing Activities	14,851	(25,514)
Financing Activities		
Net Proceeds from Note Payable and Long Term Debt	23,373	-0-
Payments on Long Term Debt and Capital Lease Obligations	-0-	(14,811)
Net Cash Provided by Financing Activities	23,373	(14,811)
Increase (Decrease) in Cash	(17,385)	(159,778)
Cash at Beginning of Period	31,180	1,264,984
Cash at End of Period	$ 13,795	$ 1,105,206
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period Ended for Interest	$ 952	$ 2,184

See Notes to Financial Statements

VAC-TEC SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months March 31, 1992
(Unaudited)

A. **ACCOUNTING POLICIES:**

Reference is made to Note A of the Financial Statements included in the Form 10-K for the year ended December 31, 1991 which describes the accounting policies of Vac-Tec Systems, Inc. (the "Company") for annual reporting purposes. The Annual Statements presented in Form 10-K for the year ended December 31, 1991 are unaudited. In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments necessary to present fairly the financial position, results of operations and the changes in financial position at March 31, 1992, and for all periods presented.

B. **INCOME TAXES:**

No income tax benefits have been recorded on the net income for the period ended March 31, 1992. If any income taxes are due for the year ended December 31, 1992 they will, in the opinion of management, be substantially offset by net operating loss carryovers.

C. **SHAREHOLDERS' EQUITY** (Deficiency in Assets):

No dilution is applicable to the 1992 period as a result of the restructuring of Amdura's Interests in October, 1991. See Note E of this report.

For the 1991 period, Net income (loss) per common share on a primary basis was computed on net earnings reduced by annual dividend requirements on convertible preferred stock and was based upon the weighted average number of common shares outstanding each period. Net income (loss) per common share on a fully diluted basis was computed based upon the weighted average number of common shares outstanding during the year, adjusted for dilution assuming conversion of preferred stock. Where net income (loss) per common share on a fully diluted basis was the same as primary net income (loss) per common share, it was due to the anti-dilutive effect of assumed conversion of preferred stock.

No dividends have been paid or declared on the common stock of the Company.

As of March 31, 1991, accumulated and unpaid dividends on Series I and Series II Preferred Stock were $2,231,250 and $82,480, respectively.

D. **INVENTORIES:**

Inventories consist of the following:

	March 31, 1992	December 31, 1991
Raw Material	$ 418,557	$ 505,937
Work-in-Process	1,244,143	1,314,189
	$ 1,662,700	$ 1,820,126
Less: Advance Payments	143,280	-0-
	$ 1,519,420	$ 1,820,126

E. **OTHER MATTERS:**

On October 17, 1991, Amdura Corporation, the former majority shareholder, restructured its interests in the Company exchanging Preferred Stock and unpaid dividends, warrants and a note payable for approximately $11.2 million, for 49,133,109 shares of Common Stock and a two year, zero coupon note payable which will pay $2 million at maturity and is secured by all of the Company's assets. On October 23, 1991, under the terms of its confirmed plan of reorganization, Amdura transferred its debt and equity interest in the Company to the Amdura Liquidating Trust No. 1, a trust for the unsecured credits of Amdura. The Trust now holds 63,642,564 shares of Common Stock and the $2 million Note Payable.

Additionally, under the terms of the Plan of Reorganization, on the effective date of the Plan, the Trust issued to Continental Bank, as agent for the Bank Group, an Amdura creditor (Continental), a non-negotiable warrant which can be exercised for $1,000 and which will entitle the holder to receive, upon exercise, 50% of Company's common capital stock included in the Company's New Capital Stock and Note transferred to the Trust. Such warrant cannot be transferred by the holder at any time and cannot be exercised for two years following the effective date of liquidation or sale of all or substantially all of the assets of the Company, in which case such warrant shall be exercisable on a timely basis allowing the holder to

participate in any such transaction as an equity holder in the Company. The warrant includes provisions giving the Trust a right of first refusal to acquire the Company's common capital stock obtained upon its exercise from Continental, in the event that Continental receives a bona fide written offer to purchase such stock from a third party.

In May of 1992, the Trust notified the Company that Vac-Tec was in default under the terms of the Security Agreement to the Note Payable and sought surrender of the collateral. On June 22, 1992 the Company and the Trust completed a Collateral Surrender Agreement which provided for peaceable surrender. The Trust will proceed to liquidate the collateral by conducting sales in a commercially reasonable manner, and unless the sale is at auction, will obtain Vac-Tec's consent as to the manner of sale.

As consideration to Vac-Tec for the peaceable surrender, the Trust will credit Vac-Tec for an implicit interest factor in respect of the Note, calculated at 8%. The implicit interest, together with the proceeds of the liquidation shall be applied to the secured debt and any amount in excess shall be returned to Vac-Tec.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

	Three Months Ended	
	March 31, 1992	March 31, 1991
Net Revenues	$ 113,849	$ 290,221
Cost of Sales	319,841	438,599
Selling, General and Administrative	220,068	426,859
Research, Product and Technology Development	1,240	131,553
Net Interest Expense (Income)	917	(19,418)
Net Income (Loss)	$ (428,217)	$ (687,372)

The Company recorded a loss of $428,217 on operations for the three month period ending March 31, 1992 compared to a loss on operations of $687,372 for the same period ending March 31, 1991. Revenues were $113,849 for the first quarter of 1991, and $290,221 for the like period in 1990. Both period revenues were derived from sales of cathodes, components, coating services and other.

On May 8, 1992, the Company announced that it planned an orderly cessation of its operations. This, coupled with staff reductions from layoffs and voluntary terminations and severe cash flow constraints since before the beginning of the year have limited the Company's ability to seek or acquire new orders. Orders taken during 1992 have been limited to cathodes and replacement parts in addition to the sale of systems from inventory at significantly reduced prices. At the present, only the few orders on hand are being addressed on a close-out basis.

Cost of sales for the period was 281% of net revenues in 1992 compared to 151% in 1991. Unabsorbed staffing costs, post shipment costs and other accruals and charges were included in the cost of sales. The lack of sales units as evidenced by the reduced level of revenue in the current year contributed to both the level of some of the non-product costs and the percentage relationship to sales.

Selling, general and administrative expenses were $220,068 for the 1992 quarter, a decrease of 48% compared to $426,859 for the 1991 period. The decrease was primarily the result of reduced staff and activity.

Research, Product and Technology Development expenses were, $1,240, in 1992 compared to $131,553 in 1991. The Company has discontinued the Development Department and is only addressing tasks already under way.

MANAGEMENT DISCUSSION (Cont'd)

INTEREST

Interest expense for the three months ended March 31, 1992 was $917 compared to interest income of $19,418 for the same period the prior year.

FINANCIAL CONDITION

The company is without opportunity to obtain funds from a lender and has been unable to derive sufficient working capital from operations to continue as a going concern. On May 5, 1992, the Amdura Liquidating Trust No. 1 (Trust), holder of the Company's Note Payable, notified Vac-Tec that it was in default under the terms of the security agreement and sought surrender of the collatoral to the note, namely all of the Company's assets.

On June 22, 1992, the Company and the Trust completed a Collateral Surrender Agreement which was effective June 2, 1992 and provided for the peaceful surrender of the collateral. The agreement provides that as the Trust receives possession, it will proceed to liquidate the collateral.

As consideration for the peaceable surrender of the collateral, the Trust will credit Vac-Tec for implicit interest, calculated at 8%, which together with the proceeds of the Liquidation will be applied to the secured debt. Any amounts, if any, remaining in excess of the secured debt shall be returned to Vac-Tec.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is a licensee of a certain United States patent pertaining to magnetron sputtering sources, under a license agreement dated July 1, 1987. The license agreement provides, in part, that the Company pays the licensor, The BOC Group, Inc., a royalty of $25 per square inch of area of the largest target that each source covered by the patent is designed to accommodate in normal operation. The Company has duly paid the licensor the royalties on all devices which the Company believes are covered by the patent.

The licensor has taken the position that certain devices which the Company believes are not covered by the patent actually are covered by the patent and, therefore, that royalties and interest are due on those devices. Based on that position, the licensor has purported to terminate the license agreement for the Company's failure to pay those royalties and filed suit against the Company on June 29, 1989 in the United States District Court for the District of Colorado for the unpaid royalties and for infringement of the patent. The licensor's complaint claims unpaid royalties of over $400,000, plus additional royalties accruing since the date the complaint was filed, plus interest and attorney fees.

The Company believes its position is sound and defensible. The Company has filed an answer which, in part, denies that the patent covers the devices on which the Company has not paid royalties and which counterclaims for a declaration of invalidity of the patent and for damages for violations of the antitrust laws by the licensor. The case is now in the discovery phase. In response to cross-motions for summary judgment filed by the parties, the Court on June 9, 1992 ruled that the previous case did not preclude the Company from challenging the enforceability of the patent or from denying that the patent covers the devices in dispute, but that the previous case did preclude the Company from contesting the validity of the patent.

The licensor also filed a motion on November 16, 1989 in the United States District Court for the Southern District of Michigan, for an order that the Company be held in contempt, based on a settlement agreement between the parties in an earlier case in that District which lead to the license agreement described above. The Company moved for a dismissal of the Michigan motion on the grounds that it involved the same issues as the Colorado action. The motion was granted and the Michigan action was dismissed without prejudice on July 11, 1990.

Item 6. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K

(i) Form 8-K filed April 17, 1992. Acquisition or Disposition of Assets - Announcement of Agreement in Principle to sell intellectual property.

(ii) Form 8-K filed May 8, 1992. Other Events Announcement of cessation of operations and notification of default under Security Agreement.

(iii) Form 8-K filed June 24, 1992. Acquisition or Disposition of Assets. Announcement of Collateral Surrender Agreement.

VAC-TEC SYSTEMS, INC.

Exhibit No. 11: Calculation of Net Income (Loss) Per Common Share

PRIMARY NET INCOME (LOSS) PER SHARE:	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Net income (loss) applicable to common stock:		
Net income (loss) per statement of operations	$ (428,217)	$ (687,372)
Deduct - dividends on 9% convertible preferred stock		
Series I	-0-	78,750
Series II	0-	3,600
Net income (loss), as adjusted	$ (428,217)	$ (769,722)
Average number of common and common equivalent shares outstanding:		
Weighted average number of shares outstanding	74,604,533	25,468,924
Weighted average number of common shares outstanding, as adjusted	74,604,533	25,468,924
Primary net income (loss) per share	$ (.01)	$ (.03)

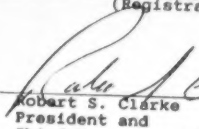
FULLY DILUTED NET INCOME (LOSS) PER SHARE:	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Net income (loss) applicable to common stock on a fully diluted basis:		
Net income (loss) per primary computation	N/A	$ (769,722)
Add dividends on assumed conversion		-0-
Net income (loss) as adjusted		$ (769,722)
Average number of shares outstanding on a fully diluted basis:		
Weighted average number of shares outstanding per primary computation		25,468,924
Weighted average number of shares outstanding as adjusted		25,468,924
Fully diluted net income (loss) per share		$ (.03)

VAC-TEC SYSTEMS, INC.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VAC-TEC SYSTEMS, INC.
(Registrant)

DATE: July 2, 1992

By 
Robert S. Clarke
President and
Chief Executive Officer

By
Allan J. Byer
Chief Financial Officer